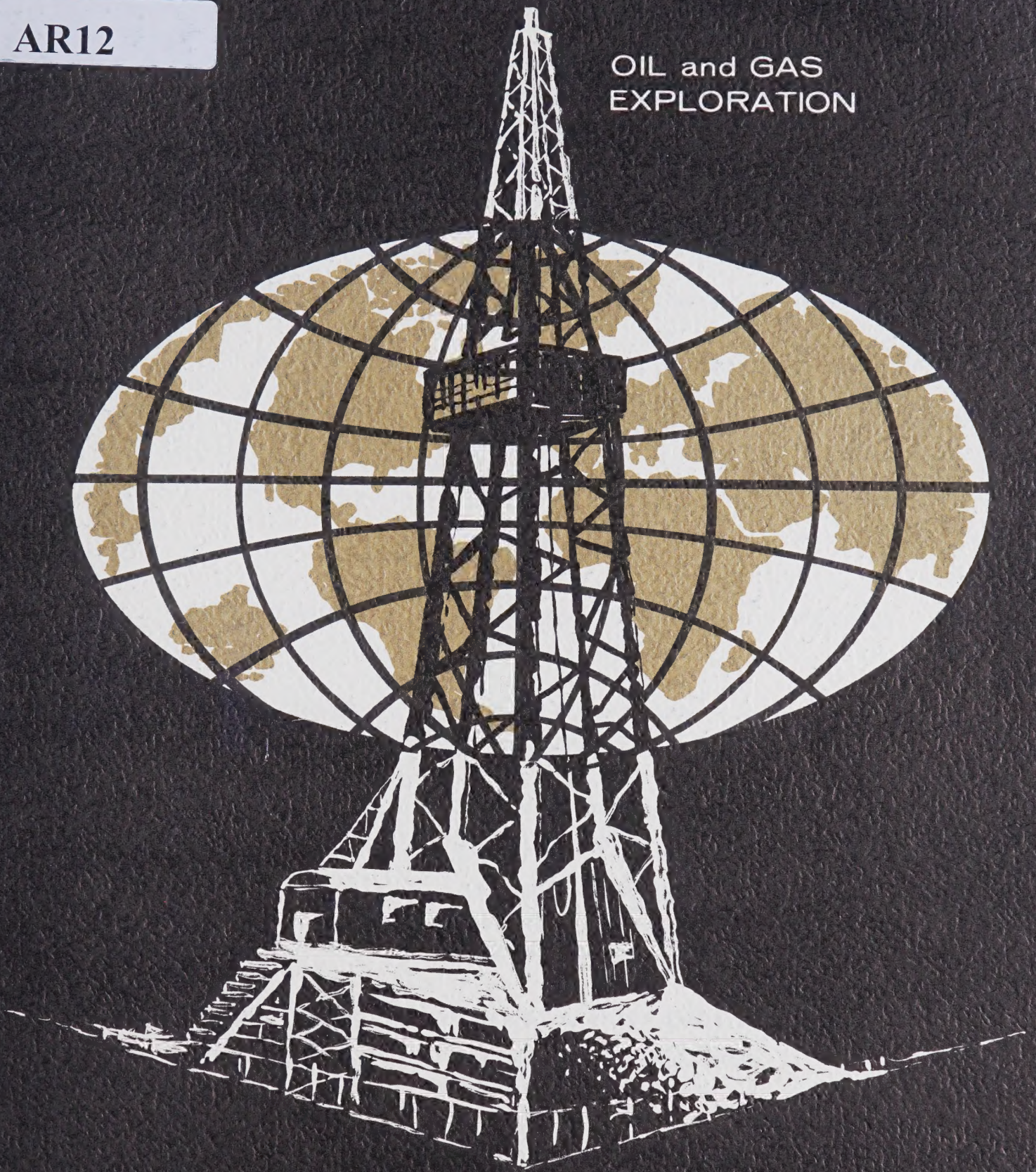


AR12

OIL and GAS
EXPLORATION



NEW UNISPHERE RESOURCES LTD.

1970 *Annual* REPORT



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NEW UNISPHERE RESOURCES LTD.

(Incorporated under the laws of Alberta)

REGISTERED HEAD OFFICE:	1500 Guinness House, Calgary, Alberta
EXECUTIVE OFFICE:	47 Colborne Street, Toronto 1, Ontario
DIRECTORS & OFFICERS:	ROY A. BURTON, <i>President</i> PAUL A. SMITH, <i>Vice-President & Secretary</i> GEORGE C. MILLER, <i>Treasurer</i>
GEOLOGIST:	BRUCE B. CORDEN, P.Eng. Petrotech Inc., St. Clair, Michigan
TRANSFER AGENT:	GUARANTY TRUST COMPANY OF CANADA Montreal, Toronto, Calgary
BANKER:	THE TORONTO-DOMINION BANK Toronto, Ontario
LEGAL COUNSEL:	CARRICK, O'CONNER, COUTTS & CRANE Toronto, Ontario FENERTY, MCGILLIVRAY, ROBERTSON, PROWSE, BRENNAN, FRASER, BELL & CODE Calgary, Alberta
STOCK EXCHANGES:	CANADIAN STOCK EXCHANGE CALGARY STOCK EXCHANGE Ticker Tape Symbol - NUS
AUDITORS:	EDDIS & ASSOCIATES Toronto, Ontario

DIRECTORS REPORT TO THE SHAREHOLDERS:

Your directors are pleased to present this first annual report covering the activities of New Unisphere Resources Ltd. for the twelve months ended April 30, 1970.

This has been a significant year in the development of your company. Among meaningful events during the period under review are included: change of company name; appointment of a new board of directors; the acquisition of 800,000 shares of Ram Petroleum Limited; a public financing of 150,000 shares at \$1.00 per share; and the initiation of participation by Unisphere in five separate exploratory oil and gas prospects in Michigan.

Shareholders will be pleased to know that your company, in partnership with other companies, has encountered oil and gas production in its most recent drilling site located in Guernsey County, Ohio. This well, which was drilled in early August, has now been completed. The well yielded an initial open flow test of 90 barrels of high gravity oil in the first three hours, with a strong natural gas drive. Additional testing has indicated that daily production should be approximately 100 barrels of oil and 1.0 to 1.5-million cubic feet of natural gas.

Gas deliveries to the East Ohio Gas Company are scheduled to begin as of October 5.

New Unisphere Resources has earned a 22½ % working interest in the drill site, and under the terms of the farmout agreement, can maintain this interest in up to 3,000 adjoining acres. Development drilling on other test sites under the supervision of your company are scheduled to begin shortly, and shareholders will be kept informed of further developments as and when they occur.

In addition to the Ohio field development, we are continuing with pinnacle reef exploration in the Michigan Basin, more particularly, in Eastern Michigan and Southwestern Ontario. It is in this area that the majority of the prolific gas and oil reefs have been discovered. A farmout agreement has just been completed with a major Canadian company in which your company will participate to the extent of up to 25% in the drilling of five separate reef prospects on approximately 5,000 acres strategically located in Lambton County, Ontario. Drilling on the first of these wells will be commenced shortly.

In early 1970 the company acquired a 25% interest in oil and gas permits Nos. LO14511 and LO14512 covering 1,260,000 acres in the James Bay Lowlands of Northern Ontario. These permits are favorably located in a basin that is geologically similar to the Michigan Reef Basin. Significantly, they are readily accessible by railroad to Moosonee and, in fact, one permit surrounds that town. To date, no exploratory wells have been drilled in this area, however, a number of geological surveys have been completed and we understand that a consortium headed by Aquitane Company of Canada Limited will be drilling in 1971 on their adjoining acreage. An exploration program on our permits is contemplated by your company and its partners in 1971.

As mentioned earlier, we have completed the acquisition of 800,000 free shares of Ram Petroleum Limited. This holding represents 26.1% of the issued and outstanding shares of that company. The reported net profit of Ram Petroleum Limited for the first six months of 1970 was \$676,764.00.

By an action commenced in the Supreme Court of Ontario on June 6th, 1969, wherein Roy A. Burton on behalf of himself and all other shareholders of Ram Petroleum Limited is the plaintiff and Robert Jan Opekar et al are defendants, claim is made for an order cancelling all shares owned by Robert J. Opekar et al and other relief. Mr. Opekar owns in excess of 50% of the issued shares of Ram Petroleum Limited. The lawsuit referred to in Item 8 of the Auditors' Notes to the Financial Statements was commenced after Mr. Burton's action. These actions are expected to go to trial in the very near future.

As you are aware, your company's shares have for some time been listed on the Calgary Stock Exchange. The Board is pleased to announce that application has been made for listing of the company shares on the Canadian Stock Exchange in Montreal. These listings should be extremely beneficial to all our shareholders.

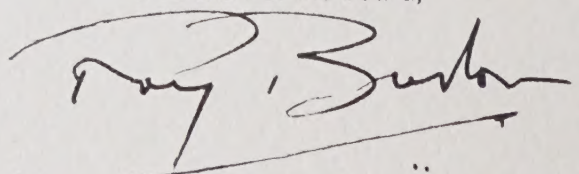
Your directors will continue to actively pursue the development of your company in the natural resources field, particularly in the area of oil and gas, for which there is an ever increasing demand, as evidenced by the National Energy Board's recently announced approval of applications for the export of Canadian natural gas into the United States.

With the base of the company now firmly established, it is the opinion of the board that your company's growth in the near future will occur at an ever increasing rate.

Toronto, Ontario

October 1, 1970

On behalf of the board,

A handwritten signature in dark ink, appearing to read "Roy A. Burton". The signature is fluid and cursive, with a long horizontal stroke at the end.

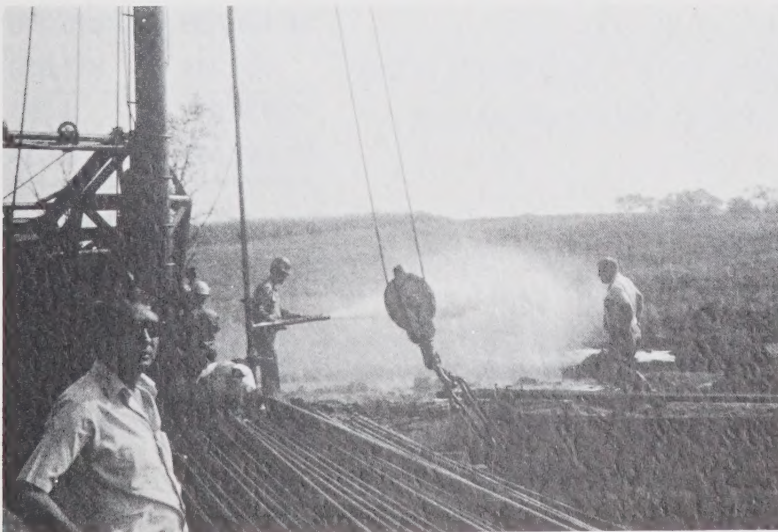
Roy A. Burton, President



Company's Consultant, Mr. Bruce Corden, at site of Neptune No. 1, Guernsey County, Ohio. Equipment shown includes work over rig., perforating and logging truck and pumper and sand trucks with tanks for formation fracture treatment.



Wellhead with injection tubing and Halliburton pumper truck on fracture treatment. Your Company has a 22½% working interest in the drill site with option on a total of up to 3000 adjoining acres.



Mr. Roy A. Burton, President, in foreground as gas and oil is vented with a balance of water and sand from fracture treatment. Initial 3 hour run at open flow returned 90 barrels of oil driven by several million cubic feet of gas.

NEW UNISPHERE RESOURCES LTD.

(Incorporated under the laws of Alberta)

BALANCE SHEET

April 30, 1970

	ASSETS	1970	1969
Current assets			
Cash		\$ 14,919	\$ 6
Note receivable — since paid		50,000	
Accounts receivable and prepaid expenses		1,371	
		<u>66,290</u>	<u>6</u>
Shares in other oil and mining companies, at cost (note 1)		2,008,012	4,000
Interest in oil and gas exploratory licenses (note 3)		4,600	
Organization expense		3,500	1,500
		<u>\$2,082,402</u>	<u>\$ 5,506</u>

LIABILITIES

Current liabilities			
Accounts payable and accrued expenses		\$ 10,644	\$ 2,115
6% Income Convertible Debentures due August 31, 1974 (note 4)		42,500	

SHAREHOLDERS' EQUITY

Capital stock (notes 6 and 7)			
Authorized			
5,000,000 shares without par value maximum consideration \$5,000,000			
Issued			
2,143,416 shares		\$2,192,000	\$845,000
Deficit		162,742	841,609
		<u>2,029,258</u>	<u>3,391</u>
		<u>\$2,082,402</u>	<u>\$ 5,506</u>

*The accompanying notes are an integral
part of these financial statements.*

Approved on behalf of the Board,

ROY A. BURTON, *Director*

PAUL A. SMITH, *Director*

NEW UNISPHERE RESOURCES LTD.

STATEMENT OF EXPENDITURES

For the year ended April 30, 1970

	1970	1969
Oil exploration expenditures		
Participation in drilling of test wells, Michigan, U.S.A.	\$ 48,799	\$
Head office and administrative expenses		
Debenture financing costs	19,350	
Legal, audit	3,689	55
Office and general	1,801	164
Salaries		750
Bank charges and interest	238	
Rent	900	100
Government and listing fees	181	31
Shareholders' information	1,159	724
Travel	2,334	
Transfer agents' fees	3,500	1,043
Telephone and telegraph	953	
	<u>34,105</u>	<u>2,867</u>
Interest earned	1,271	
	<u>32,834</u>	<u>2,867</u>
Total expenditures for the year, statement of deficit	<u>\$ 81,633</u>	<u>\$ 2,867</u>

STATEMENT OF DEFICIT

For the year ended April 30, 1970

	1970	1969
Balance, beginning of the year	\$841,609	\$838,742
Expenditures for the year, written off	81,633	2,867
	<u>923,242</u>	<u>841,609</u>
Surplus resulting from consolidation of 2,316,667 issued shares into 231,667 issued shares — applied to reduce deficit	760,500	
Balance, end of the year	<u>\$162,742</u>	<u>\$841,609</u>

NEW UNISPHERE RESOURCES LTD.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended April 30, 1970

	1970	1969
Source of funds		
Interest earned	\$ 1,271	\$ Nil
Proceeds from issue of capital stock	150,000	
	<u>151,271</u>	<u>Nil</u>
Application of funds		
Oil exploration expenditures	48,799	
Head office and administrative expenses	34,105	2,867
Acquisition of interest in oil and gas exploratory licenses — James Bay Lowlands	4,600	
Additional costs incurred to acquire shares of other mining and oil companies	4,012	
Reorganization costs	2,000	
	<u>93,516</u>	<u>2,867</u>
Increase (decrease) in working capital	57,755	(2,867)
Working capital (deficiency), beginning of the year	(2,109)	758
Working capital (deficiency), end of the year	<u>\$ 55,646</u>	<u>\$ (2,109)</u>

AUDITORS' REPORT

To the Shareholders,
NEW UNISPHERE RESOURCES LTD.

We have examined the balance sheet of New Unisphere Resources Ltd. as at April 30, 1970 and the statements of deficit, expenditures and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to any adjustments which may result from the final determination of the matters referred to in note 8, these financial statements present fairly the financial position of the company as at April 30, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
August 31, 1970.

EDDIS & ASSOCIATES,
Chartered Accountants.

NEW UNISPHERE RESOURCES LTD.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1970

1. SHARES IN OTHER OIL AND MINING COMPANIES (unlisted)	COST
800,000 shares Ram Petroleums Limited	\$2,003,762
77,500 shares Kelso Mines Limited (of which 33,750 shares are escrowed)	4,250
	<u>\$2,008,012</u>

By agreement dated July 28, 1969 the company acquired 800,000 shares of Ram Petroleums Limited in consideration for \$2,000,000 6% Income Convertible Debentures due August 31, 1974, plus incidental costs of acquisition.

The company's holding represents 26.1% of the total issued capital of Ram Petroleums Limited, which company is a producing oil and gas company whose shares are traded over-the-counter in Toronto.

2. PARTICIPATION IN DRILLING OF TEST WELLS

The company was a participant in the drilling of test wells in various townships in Michigan, U.S.A. as outlined below. Since these wells proved to be dry the company's share of the costs has been written off.

Casco Township	\$ 9,070
Columbus Township	31,705
Cottrellville Township	3,250
North Allis Township	3,888
General Exploration	886
	<u>\$48,799</u>

3. INTEREST IN OIL AND GAS EXPLORATORY LICENSES

During the year the company acquired a 25% interest in oil and gas exploratory licenses in the James Bay Lowlands covering an area of 1,265,000 acres at a cost of \$4,600.

4. DEBENTURES

The 6% Income Convertible Debentures issued under the agreement of July 28, 1969 (note 1) are secured by the pledge of the shares of Ram Petroleums Limited purchased by the company, pursuant to a Trust deed between the company and a Canadian chartered trust company.

The debentures mature on August 31, 1974. The conversion and redemption terms are as follows:

Conversion terms

\$100 principal amount convertible into shares of New Unisphere Resources Ltd. as below

After January 1, 1970	90 shares
After January 1, 1971	85 shares
After January 1, 1972	80 shares
After January 1, 1973	75 shares

Redemption terms

Not redeemable before January 1, 1971

Redemption price per \$100 principal amount as below

After January 1, 1971	\$105.00 plus accrued interest
After January 1, 1972	\$102.50 plus accrued interest
After January 1, 1973	\$100.00 plus accrued interest

At balance sheet date all but \$42,500 of the original \$2,000,000 of debentures issued have been converted into capital stock of the company.

5. CHANGE OF COMPANY NAME

The company received a certificate from the Registrar of Companies, Alberta, dated October 6, 1969 changing its name from Unisphere Explorers Ltd. to New Unisphere Resources Ltd.

6. RE-ORGANIZATION OF CAPITAL

The company received a certificate from the Registrar of Companies, Alberta, dated October 6, 1969 changing the authorized and issued capital of the company as follows:

The authorized capital was changed from 5,000,000 shares without par value which may be issued for a consideration not exceeding \$4,400,000 to 5,000,000 shares without par value which may be issued for a consideration not exceeding \$5,000,000 by:

- (a) consolidation of the 2,316,667 issued shares into 231,667 issued shares;
- (b) creation of 2,085,001 new shares without par value;
- (c) cancellation of one share which was not taken by any person; and
- (d) resolving that the maximum consideration for which all the shares may be issued shall not exceed in the aggregate \$5,000,000.

7. ISSUE OF CAPITAL STOCK SUBSEQUENT TO RE-ORGANIZATION:

231,666 shares were left in the hands of shareholders after re-organization ..	\$ 84,500
150,000 shares were subsequently issued for cash	150,000
1,761,750 shares were subsequently issued to debentureholders in exchange for \$1,957,500 principal amount of debentures	1,957,500
2,143,416 shares outstanding at April 30, 1970	<u>\$2,192,000</u>

8. LAWSUIT

By an action commenced in the Supreme Court of Ontario on 30th July, 1969, being No. 3855/69, in which Ram Petroleums Limited is Plaintiff and Roy Anthony Burton and Paul Arthur Smith are Defendants, claim is made for a declaration that 400,000 shares of Ram Petroleums Limited owned by Roy Anthony Burton and 30,000 shares owned by Paul Arthur Smith were improperly obtained and that they be delivered up for cancellation. The said shares were subsequently transferred by Messrs. Burton and Smith to the Company as there was no Order of the Court prohibiting such transfer. Recently, by Order of the Master of the Supreme Court of Ontario the Company was joined in the action so as to be bound by any judgment against the Defendants relating to such shares.

Counsel for the Defendants and the Company have advised that the Defendants have a good defence to the action.

The Defendants take the position that the action is brought in bad faith and they assert counter-claims therein.

9. EVENTS SUBSEQUENT TO APRIL 30, 1970

- (a) In May, 1970 options were granted to three senior officers of the company on a total of 500,000 treasury shares at 50¢ a share.

The options are for a period of three years and may be exercised insofar as one-third of the total number granted in each year. The option agreements provide that if the bid price of the shares of the Company on the Calgary Stock Exchange reaches \$1.50 per share all options may be exercised in full. The option agreements are subject to confirmation by the shareholders of the company.

- (b) The \$42,500 6% Income Convertible Debentures shown on the balance sheet have subsequently been converted into 38,250 shares of capital stock.

- (c) During the period May, 1970 to July, 1970 the company participated in the drilling of test wells in various townships in Michigan, U.S.A., the company's portion of the cost being \$15,020. These wells proved to be dry.

- (d) In August, 1970 the company entered into a farmout agreement with Pronghorn Petroleum Corporation under which it can earn a 22½% working interest in up to approximately 3,000 acres in Guernsey County, Ohio, U.S.A. The parties to the agreement are committed to drill two wells, the company's share of the dry hole cost being approximately \$6,000 per well. The first of the committed wells was drilled in August, 1970 and it is reported to have encountered what appears to be a productive natural gas zone. Completion of this well is expected in September, 1970.

